

VZCZCXRO2038  
RR RUEHBZ RUEH DU RUEHJO RUEHMR RUEHRN  
DE RUEHTO #0030/01 0081502  
ZNR UUUUU ZZH  
R 081502Z JAN 07 ZDK  
FM AMEMBASSY MAPUTO  
TO RUEHC/SECSTATE WASHDC 6640  
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHLMC/MILLENNIUM CHALLENGE CORP 0143  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 MAPUTO 000030

SIPDIS

SIPDIS

AF/S FOR HTREGER AND JMALONEY  
JOHANNESBURG FSC FOR RDONOVAN  
JOHANNESBURG TDA FOR DSHUSTER  
USDOC FOR RTELCHIN  
MCC FOR SGAULL  
USAID FOR AFR/SA

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [MZ](#)

SUBJECT: December Economic Digest: Mozambique

MAPUTO 00000030 001.4 OF 002

¶1. This is a brief summary of significant economic developments in Mozambique during December 2006. We provide it as a supplement to our other reporting. The items discussed are:

- National Assembly Approves the 2007 Budget
- 2006 Inflation was 9.4 percent
- British Assistance Figures Announced
- EU and GRM sign new Fishing Accord
- IMF Approves Another PRGF Disbursement
- Most Sugar Exported in More than 30 Years

National Assembly Approves the 2007 Budget

-----  
¶2. On December 21 the National Assembly approved the national budget for 2007. Total expenditure is expected to be 70.9 billion meticaïs (approximately USD 2.8 billion). Taxes will only bring in 32.5 billion meticaïs; the remainder will come from foreign aid. According to Finance Minister Chang, who presented the budget to the National Assembly on December 13, 13.7 billion meticaïs will be provided by donor countries and financing agencies in direct support to the national budget and 24.7 billion will be given in project support.

¶3. Most of the budget will be spent on the government's Action Plan for the Relief of Absolute Poverty (PARPA II). The education sector will receive 22 percent of the budget, the health service will receive 12.4 percent, and infrastructure will be provided 20.2 percent of the year's expenditures. Only 2.3 percent will be spent on the Mozambican military, with another 5.6 percent apportioned to the security and public order sector. Nearly three percent will be spent on debt servicing.

2006 Inflation was 9.4 percent

-----  
¶4. At a January 6 press conference, a senior official at the National Statistics Institute (INE) announced that inflation for 2006 was 9.4 percent. This figure is several points higher than the government target of 7.5 percent, but the government is probably pleased that it can claim inflation still was only in the "single digits" realm. According to the INE, inflation in 2005 stood at 11.2 percent and in 2004 was 9.1 percent.

#### British Assistance Figures Announced

-----

¶5. Mozambican and British officials signed an assistance agreement in London on December 4, under which Britain commits itself to provide Mozambique with USD 410 million in budget support over the next five years and USD 90 million in project support to the education sector over the next decade. The signing ceremony took place in the midst of President Guebuza's first official visit to the United Kingdom. Speaking at the ceremony, Britain's Minister for International Development, Hilary Benn, praised Mozambique as one of the "great success stories of Africa." In the 2005/06 British financial year, British aid to Mozambique totaled approximately USD 100 million.

#### EU and GRM sign new Fishing Accord

-----

¶6. The Mozambican government and the EU signed a new fishing agreement in Brussels on December 21, valid for five years. The accord, which went into force on January 1, 2007, replaces an earlier agreement between both parties since ¶2004. Under the agreement, boats from the European Union

MAPUTO 00000030 002.4 OF 002

are entitled to catch 10,000 tons of tuna and related species per annum in Mozambican waters. In exchange, the EU pledged to pay 900,000 Euros annually, which the Mozambican government is to use for the promotion of a sustainable marine environment.

#### IMF Approves Another PRGF Disbursement

-----

¶7. In a press release issued December 20, the IMF announced that it had approved a further disbursement of concessional lending worth USD 2.4 million for Mozambique under the IMF's Poverty Reduction and Growth Facility (PRGF). In July 2004 the IMF approved the current PRGF, under which Mozambique is to receive a 11.36 million Special Drawing Rights (SDRs - approximately USD 17 million in today's dollars) divided into several disbursements through 2007, as long as it continued on a jointly agreed path of economic reform. With this disbursement, the IMF has disbursed approximately 9.75 million SDRs. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years, with 5-year grace period on principal payments.

#### Most Sugar Exported in More than 30 Years

-----

¶8. According to data released by the Agriculture Promotion Center, Mozambique's four sugar companies exported 175,837 tons of sugar, the most sugar exported from Mozambique since ¶1973. The sugar exports were valued at USD 67.3 million. According to the Center's director, Roberto Albino, this figure was 79 percent above the value of sugar exports in ¶2005. Albino attributed the increase to increased imports from the EU and the United States and higher world prices for sugar. Some 140,000 tons of sugar were sold

domestically in 2006. In addition, some 10,000 tons of contraband sugar entered Mozambique from Zimbabwe and Malawi, according to Albino. The four sugar companies together employed nearly 21,000 workers in 2006.

Dudley